

### **Economic Activity Triggered by Agricultural Trade**

Estimates of economic activity related to agricultural exports show that exports make an important contribution to the farm sector and to the U.S. economy as a whole (app. table 7). In 1998, the United States exported \$51.8 billion of agricultural products, down from \$57.3 billion in 1997. Exports fell further to \$48.3 billion during 1999. The decline in dollar value of exports is due to falling prices for bulk commodities, large world supplies, weak global demand as a result of economic crises in Asia, Russia, and Latin America, and a strong U.S. dollar.

Agricultural exports play an important role in the economy, supporting jobs on farms, in food processing, other manufacturing plants, and in the transportation and trade sectors. Agricultural exports generated an estimated 808,000 jobs in 1998, of which 320,000 were on farms. The impact of agricultural exports on the U.S. economy is far-reaching. Every dollar of exports generated an additional \$1.31 in economic activity in supporting sectors.

Imports of agricultural products were worth \$37.1 billion in 1998, up from \$36.3 billion in 1997. In 1999 they rose further to \$37.9 billion. Since agricultural exports exceeded imports, the United States had a positive trade balance in agricultural products of \$14.7 billion in 1998. The positive agricultural trade balance shrank in 1999 and will fall again in 1999-2000 if exports decline as expected. About \$9 billion of imports were such commodities as bananas, coffee, and tea that do not compete with U.S. products. The remaining \$28.1 billion is comprised of imports, such as meat, dairy products, fruits, nuts, vegetables, sugar, and wines that compete with U.S. products.

Processed agricultural products have more extensive impacts on the U.S. economy than exports of bulk unprocessed commodities. Nonbulk products account for most of the economic activity generated by agricultural exports. In 1998, they accounted for 478,000 of the 808,000 jobs attributed to agricultural exports. Each dollar of nonbulk agricultural exports (fresh fruits and vegetables and "value-added" processed products) generated an additional \$1.52 in supporting activity, compared with \$0.92 for each dollar of bulk exports (grains, oilseeds, and cotton). For the first time since calendar year 1991, bulk exports have generated more U.S. jobs per \$1 billion of exported commodity than processed. In 1998, \$1 billion of bulk exports supported 16,900 U.S. jobs, compared with 14,800 for nonbulk exports. Also for the first time in 1998, the U.S. imported more processed or high-value foods than it exported, resulting in a negative trade balance in nonbulk commodities. Part of this shift in trading patterns is due to a redefinition and reclassification, by ERS, of what is a "bulk" commodity. Up until 1997, estimates of economic activity related to agricultural trade used U.S. Department of Commerce (Bureau of Economic Analysis and Bureau of Census) classifications of commodities. In 1998, this analysis switched to a classification scheme used in other ERS publications to maintain consistency across agency products. [William Edmondson, 202-694-5374, [wedmonds@ers.usda.gov](mailto:wedmonds@ers.usda.gov)]

Appendix table 7—U.S. economic activity triggered by agricultural trade

Item	1996	1997	1998		
	Total	Total	Total	Bulk	Other
Billion dollars					
Economic activity generated by agricultural exports	139.9	130.8	119.7	37.5	81.5
Exports	60.4	57.3	51.8	19.5	32.3
Supporting activities	79.5	73.5	67.9	17.9	50.0
Farm	21.9	16.6	14.2	0.8	13.4
Food processing	6.7	6.2	5.7	.1	5.6
Other manufacturing	15.5	16.2	15.1	5.1	10.0
Trade and transportation	9.7	10.9	10.8	3.0	7.8
Other services	25.6	23.6	22.1	8.9	13.2
Percent					
Farm share of total income from exports	34	29	27	39	19
Nonfarm share	73	77	79	96	73
Export multiplier (additional business activity generated by \$1 of exports)	1.32	1.28	1.31	.92	1.52
1,000 jobs					
Employment generated by agricultural exports	859	871	808	330	478
Farm	292	321	320	182	138
Nonfarm	566	550	488	149	339
Food processing	86	90	78	0	78
Other manufacturing	70	76	65	20	45
Trade and transportation	196	175	155	59	96
Other services	214	209	190	70	120
Employment per billion dollars of agricultural exports	14.2	15.2	15.6	16.9	14.8
Percent					
Share of farm workforce supported by agricultural exports	8	9	9	5	4
Billion dollars					
Agricultural imports	33.6	36.3	37.1	4.3	32.8
Complementary	8.2	9.4	9.0	0.0	9.0
Competitive	25.4	26.9	28.1	4.3	23.8
Domestic equivalent of economic activity generated by competitive imports	62.8	63.9	66.7	8.2	58.5
Agricultural trade balance	26.8	21.0	14.7	15.2	-.5
Net business surplus of agricultural trade	68.9	57.5	44.0	29.3	14.7

Source: Calculated by ERS from supporting ERS economic models using data from the Bureau of Economic Analysis, Bureau of Labor Statistics, and Bureau of the Census.